



Legislative Research Council

South Dakota

Bonding Committee Minutes

**First and Final Meeting
2015 Interim
November 16, 2015**

**Room 413
State Capitol
Pierre, South Dakota**

The first and final meeting of the Bonding Committee for the 2015 interim was called to order by Representative Dean Wink, Chair, at 3:50 p.m., November 16, 2015, in Room 413 of the State Capitol, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Representative Dean Wink, Chair; Senator Corey Brown, Vice Chair; Representatives Spencer Hawley, Don Hagggar, Roger Hunt, and Fred Romkema; Senators Gary Cammack, Phyllis Heineman, David Omdahl, Scott Parsley, Billie Sutton, and Jim White.

Staff members present included Fred Baatz, Principal Research Analyst; and Paul Giovanetti, Senior Legislative Secretary.

(NOTE: For purpose of continuity, the following minutes are not necessarily in chronological order. Also, all referenced documents distributed at the meeting are attached to the original minutes on file in the Legislative Research Council (LRC). This meeting was web cast live. The archived web cast is available at the LRC web site at <http://legis.state.sd.us> under "Interim Information – Current Interim – Minutes and Agendas.")

Reception of Annual Reports

South Dakota Housing Development Authority (SDHDA)

Mr. Mark Lauseng, Executive Director, South Dakota Housing Development Authority, presented the Authority's annual report, audited financial statements, a report indicating indebtedness of the Authority, and a list of fees paid to professional service providers (**Document #1**).

Mr. Lauseng reported that SDHDA has issued \$197.3 million in bonds for the First-time Homebuyers Program. SDHA also loaned more than \$162 million to 1,321 first-time homebuyer families in South Dakota. Currently the interest rates for this program range from 2.875% - 4.5%.

The SDHDA has maintained an AAA rating with Standard & Poor's Rating Service.

Mr. Lauseng reported the South Dakota Housing Opportunity Fund (HOF) which was created in the 2013 Legislative Session was allocated \$2.8 million which resulted in 383 housing units throughout South Dakota.

Mr. Lauseng reported that for FY15 a total of 159 Governor Houses were sold. Representative Wink asked what the length of the loans is and Mr. Lauseng replied that all first-time homebuyer loan terms are set at 30 years.

Representative Parsley asked who does the housing assessments and Mr. Lauseng replied that Community Partners Research out of Minnesota does all of the assessments.

South Dakota Conservancy District

Mr. Mike Perkovich, Program Administrator, Water and Waste Water Funding Program, Division of Finance and Technical Assistance, presented The South Dakota Conservancy District Report (***Document #2***).

This program oversees the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund, and, as of June 30, 2015, has entered into 649 binding State Revolving Fund commitments totaling \$1.08 billion.

Senator Brown commented that the last bonds were issued with an AAA rating and asked if that was the first time this has occurred and Mr. Perkovich answered that they have held the rating for some time.

Senator Cammack asked if there are funds available to other borrowers and what the current length of term and interest rate.

Mr. Perkovich said yes there is money available; the loans are 10, 20 and 30 years at borrower's discretion. However, they will not lend a 30 year loan to a project that has the lifetime of 20 years. Interest rates range from 2.25% on a ten year, 3% on a twenty year loan, and 3.25% on thirty year loan.

Representative Hawley asked if there has ever been a default on loans and Mr. Perkovich answered no they have not had a default on a loan.

Senator White asked why they had risk management insurance on property and Mr. Perkovich answered it was to cover property put as collateral from non-profits.

South Dakota Value Added Finance Authority

Ms. Terri LaBrie, Finance Director, Department of Agriculture, presented the South Dakota Value Added Finance Authority (VAFA) annual report (***Document #3***).

The VAFA board consists of seven members all appointed by the Governor, and their mission is to provide lower cost financing for qualifying beginning farmers and agricultural businesses.

The Value Added Finance Authority issued a total of seven tax exempt bonds in FY15 totaling \$6,975,890.

Representative Haggar stated that in FY15 you have 7 bonds and the last bond was for Lincoln Land, LLC for \$5.5 million and then asked for background on the project.

Ms. LaBrie answered that the bond is issued to the project investment bank and this project concerned a large dairy in Lincoln County.

Senator Parsley asked if Beginning Farmers Bonds are decreasing over the years and Ms. LaBrie answered that the rising cost of land, lower interest rates, USDA Programs all factor into the lower numbers of Beginning Farmer Bonds being issued.

Representative Romkema asked how many more applicants than the 7 bonds issued applied. Ms. LaBrie answered that if the borrower meets all the eligibility requirements for the bonds, the bonds are issued.

Representative Haggar stated that the bond program will maintain low volume due to interest rates. Ms. Terri LaBrie stated with the market interest rates being low, this program is used less but if interest rates rise, program activity may increase.

South Dakota Economic Development Finance Authority

Ms. Cassie Stoesser, Director of Finance, Governor's Office of Economic Development, presented the Economic Development Finance Authority (EDFA) Annual Financial Report **(Document #4)**.

Ms. Stoesser reported that in FY15 no new bonds were issued and the bonds received an upgrade to AA rating this year.

Representative Wink asked if there is a report issued that caused you to upgrade your rating from A+ to AA Rating, Ms. Stoesser reported the bond underwriting company sent the report that showed the upgrade.

South Dakota Building Authority

Mr. Don Templeton, Executive Secretary, South Dakota Building Authority, gave the report for FY15 **(Document #5)**.

Mr. Templeton reported that they issued 3 refund series bonds and issued a bond for \$11.5 million to the Department of Games Fish and parks for Custer State Park improvements and a bond for \$10.88 million to the Board of Regents for construction and remodeling of facilities at Dakota State University and South Dakota School of Mines and Technology

Mr. Templeton reported in FY15 Series 2014 D, E, & F Refunding Bonds, the South Dakota Building Authority sent the State General Fund \$1.2 million to be used for capital expenditures.

Representative Wink passed the gavel to Senator Brown.

Representative Hawley asked why the bond for Custer State Park was not issued with a bond through a Board of Regent Bond as previous bonds have been issued and Mr. Templeton

replied that the bond amount was too large to meet certain bond issue requirement and a separate bond issue has to be used for Game, Fish, and Parks.

Mr. Templeton reported that the South Dakota Building Authority has issued 89 bonds for \$1.2 billion over the life of the Authority.

South Dakota Health and Educational Facilities Authority

Mr. Don Templeton, Executive Director, South Dakota Health and Educational Facilities Authority, gave the report for FY15 (*Document #6*).

Mr. Templeton reported that in FY15 Series 2008 Bond were refunded and issued to Regional Health for \$67 million and Technical Education for \$20 million. Refunding had a savings of \$1.8 Million.

Mr. Templeton reported that in FY15 two new bonds were issued for Technical Education for \$33.3 Million and one new bond was issued for \$176 million for Sanford Health.

The South Dakota Health and Educational Authority has issued 240 bonds for \$4.2 billion with no defaults. Additionally, the Authority has assisted in 36 projects for \$45 million.

Representative Haggar asked if the two series refunded for more favorable rates, can you provide the amount of savings for the refunds.

Mr. Templeton replied that Regional Health saves them \$650 thousand a year and the Tech Education produced a savings of \$1.8 million and \$1 million was transferred to the state general fund.

Mr. Templeton reported that SDCL 1-16A-1 allows the Authority to bond for projects in contiguous states as long as a project has a relationship to an entity located in South Dakota.

Committee Members asked Mr. Templeton a series of questions regarding the details of out-of-state bonds.

REPRESENTATIVE HAGGAR MOVED, SECONDED BY SENATOR SUTTON, THAT THE BONDING COMMITTEE RECEIVE AND ACCEPT THE BONDING REPORTS INTO RECORD. The motion prevailed unanimously on a roll call vote with 11 voting AYE, 4 EXCUSED.

Those voting AYE: Haggar, Hawley, Hunt, Romkema, Cammack, Heineman, Omdahl, Parsley, Sutton, White, and Brown. Those EXCUSED: Bolin, Gosch, Johns, Wink

Adjourn

SENATOR SUTTON MOVED, SECONDED BY REPRESENTATIVE HUNT, THAT THE BONDING COMMITTEE BE ADJOURNED. The motion prevailed unanimously on a voice vote.

The committee adjourned at 5:00 p.m.

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